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Before the

Federal Communications Commission

Washington, D.C. 20554

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In the Matter of	)	
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Amendments to Uniform System of Accounts for Interconnection	))	CC Docket No. 97-212

UNITED UTILITIES, INC. COMMENTS ON
AMENDMENTS TO UNIFORM SYSTEM OF ACCOUNTS FOR INTERCONNECTION
IN REPLY TO NPRM RELEASED OCTOBER 7, 1997

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EXECUTIVE SUMMARY

United Utilities, Inc. (United), a rural Alaskan incumbent local exchange carrier (ILEC), herein responds to the Commission's Notice of Proposed Rulemaking on "Amendments to Uniform System of Accounts for Interconnection". While United does not have the resources to address all of the issues raised in the NPRM, United does offer the following recommendations:

1) While United believes it is not currently impacted by this NPRM due to its rural telephone company exemption, future events may bring United and other rural companies under the umbrella of the changes proposed by this NPRM.

2) United questions whether the FCC may be exceeding its jurisdiction in proposing accounting regulations that relate primarily to local exchange service, over which the Eighth Circuit held the FCC lacked jurisdiction.

3) Part 32 accounts are intended to reflect a functional and technological view of the telecommunications industry. This NPRM proposes to change the intent of the USOA to use Part 32 to reflect the allocation of revenues, investments and expenses to products, services and jurisdictional structures, and to impose the new accounting requirements only on ILECs. United questions whether Part 32 is the appropriate tool to use for the intended FCC measurement of the revenues and costs related to interconnection. The breakout of costs to products, services, and jurisdictions is a function of Part 36 and Part 69, not a function of Part 32.

4) The FCC assurance that there is no regulatory flexibility analysis required because none of the proposals in the NPRM would have a significant economic impact on the carriers which must comply with the FCC accounting rules (NPRM, paragraph 23) is erroneous. Establishment of the multiple subsidiary record categories will increase most of the smaller CLEC's general and administrative accounting costs, and that increase could be significant, depending upon the number of unbundled network elements involved. United has calculated that the minimum number of subsidiary accounts that would have to be established to satisfy the NPRM requirements is approximately 1,400.

I. Jurisdictional Questions

The NPRM proposes new revenue and expense accounts and subsidiary record keeping requirements to record revenues and expenses associated with local exchange network interconnection. In our opinion, the FCC may be exceeding its jurisdiction in proposing accounting regulations that relate primarily to local exchange service, over which the Eighth Circuit held the FCC lacked jurisdiction.

II. Use of USOA Part 32 to Reflect Income and Expenses on Products and Services

The Part 32 USOA was established to reflect a functional and technological view of the telecommunications industry. The NPRM proposes to change the intent of the USOA to use Part 32 to reflect the allocation of revenues, investments and expenses to products, services and jurisdictional structures, and further, to impose the new accounting requirements only on ILECs. United questions whether Part 32 is the appropriate tool to use for the intended FCC measurement of the revenues and costs related to interconnection. The breakout of costs to products, services, and jurisdictions is a function of Part 36 and Part 69, not a function of Part 32.

III. Impact on General and Administrative Expense of New Accounting Requirements

While on the surface, the new accounting requirements look minimal, a closer look at the subsidiary category requirements makes the impact of this NPRM a significant one for the accounting departments of companies involved.

For example, for Interconnection and Access to Unbundled Network Elements, the proposed accounts include 5071 and 6551. With no expense matrix required, this proposal appears to only require 2 new accounting elements. However, the NPRM goes on to propose subsidiary record keeping categories to enable carriers to identify the revenue from and amounts paid for interconnection and **each** unbundled network element. Minimum unbundled rate elements include 1) local loop, 2) network interface devices, 3) local switching capability, 4) tandem switching capability, 5) interoffice transmission facilities, 6) signaling and call-related databases, 7) operations support system functions, 8) operator services and directory assistance facilities. Now the accounting element requirement has expanded from 2 to a minimum of 20.

On transport and termination, the two proposed accounts are 5072 and 6552, with two proposed subsidiary record categories each, for a total of 4 accounting elements.

The resale section, paragraph 13, has a smaller accounting impact. For every current revenue account, if the type of service is resold, then a subsidiary record category must be created. This could generate 10 or more new subsidiary accounts for revenue. One new expense account, 6553, with no subsidiary category accounts is proposed in this paragraph.

The biggest impact on accounting is in paragraph 14 of the NPRM. In this paragraph, which covers costs of providing interconnection, the Commission is proposing subsidiary **accounting** records to record the costs associated with providing interconnection. The Commission provides a sample of their concept regarding the subsidiary accounting records in Footnote 30. According to the footnote, this proposal impacts plant in service accounts, accumulated depreciation accounts, and all categories of expense accounts, most of which carry a matrix of 4 for labor, benefits, rents and other. The requirement expands the USOA chart of accounts into multiple sets of subsidiary ledgers, one for each rate element, for all accounts involved in developing that rate element. While the NPRM refers to cost studies for the development of rate elements, the NPRM then proposes to book back into each subsidiary record account the costs for that account based the ratio of that cost element to the total cost element times revenue.

Using the Commission's example of unbundled loop, as many as 67 Part 32 accounts, with a expense matrix of 4 on 37 of the accounts or a total combination of 178 individual sub account, could be involved in the recording of the costs associated with just unbundled loop interconnection. When multiplied by the minimum number of unbundled rate elements, approximately 1400 new sub account are involved.

The above proposal is an extremely significant one. For any ILEC involved in interconnection of facilities, there will be an increased accounting burden to be covered, in direct opposition of current cost reduction requirements necessary for ILEC economic survival. ILEC's are being mandated to be more efficient, to reduce their costs, and are being prodded through the Universal Service Order to reduce their Corporate Operations Expenses, while this NPRM adds to the corporate operations economic burden.